

*Important Information for New Employees*

# Select Your Retirement Plan



*Make the choice that's right for you...*



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## Welcome

As a new employee, you have a lot of decisions to make and what seems like countless forms to fill out. Choosing which of the two available retirement plans you will join is one of these decisions. To assist you in making this decision and to help ensure that you make an informed choice, this brochure provides information about and a comparison of the two plans.

## Eligibility

All state, public school (kindergarten through grade 12), and higher education employees hired after June 30, 2003, are eligible to choose between the two available plans. This includes all permanent, full-time employees, temporary and part-time employees, and political appointees.

You must select one of the two available retirement plans unless your position is exempted by state law. Your employer can tell you whether your position is exempt from mandatory membership.

***If you are an SCRS retiree who has returned to work, you cannot join State ORP since, as a retiree, you are not eligible for SCRS membership.***

## The Plans

### South Carolina Retirement System

The **South Carolina Retirement System (SCRS)** is a *defined benefit plan*. In a defined benefit plan, the state bears the investment risk and provides a guaranteed monthly pension based on a statutory formula, not on your account balance.

### A Quick Look at SCRS

- ➔ SCRS is the traditional retirement plan for state and public school district employees, and employees of counties and cities that elect to participate in the Retirement Systems.
- ➔ If you select SCRS, your employee contributions will be placed in an account in your name that draws 6 percent interest per year.
- ➔ SCRS provides members a guaranteed monthly pension based on a formula that includes average final compensation, years of service, and a 1.82 percent benefit multiplier.
- ➔ You must have a minimum of five years of earned service to be eligible to receive a retirement annuity. Once you retire, your annuity will be paid to you monthly.
- ➔ If you terminate employment and receive a refund of your contributions, your employer's contributions will not be refunded to you.

### State Optional Retirement Program

The **State Optional Retirement Program (State ORP)** is a *defined contribution plan*. In a defined contribution plan, you invest your funds within the plan's investment choices and then bear the risk, or enjoy the benefit, based on the performance of your investments. Your retirement benefit is based on the balance in your account when you retire.



### A Quick Look at State ORP

- ➔ State ORP is an alternative to SCRS.
- ➔ If you select State ORP, an account is established in your name through the investment provider you select. Your employee contributions and a portion of your employer's contributions accumulate in your account and are invested in the investment products you select from the products offered through your investment provider.
- ➔ Your retirement benefit will be based on the balance in your account when you retire.
- ➔ Once you retire, you may choose from a variety of payout options, including single-sum withdrawals, systematic withdrawals, or a guaranteed monthly pension benefit based on your account balance at the time payments begin.



- ➔ State ORP also provides portability of the money in your account, which includes the contributions made by you and your employer, and the investment earnings.

## Considerations

Please keep the following in mind when making your decision:

- ➔ Your willingness to assume investment risk and reward;
- ➔ The period of time remaining before your retirement;
- ➔ The importance to you of retirement plan portability;
- ➔ Your age and the years of service you think you will have as an employee with your organization or the state;
- ➔ Your preference of having your retirement income determined by the performance of the investment products you select or being guaranteed a retirement benefit based on your average final compensation, age, years of service, and a 1.82 percent benefit multiplier;
- ➔ Your concerns about death benefits;
- ➔ Your concerns about disability benefits;
- ➔ The impact of inflation during retirement; and
- ➔ The flexibility of each plan to serve your personal situation during your working years and after retirement.



## Use the Tools

This brochure is just one of the available tools that provide the information you will need to make your retirement plan choice.

## Videos and Brochures

A video that compares the two plans, “The SCRS Plan or the State ORP? It’s Your Choice,” is available from your employer. In addition, an *Investing for Your Retirement* brochure and video are available from your employer. These educational materials provide basic investment education information and should be helpful to you regardless of the plan you choose. We encourage you to carefully evaluate the distinct features and benefits of each plan before making your enrollment decision.

## Benefit Comparison Program

Another resource is an Internet-based computer program that estimates and compares the benefit under State ORP and SCRS using information and assumptions you provide (such as an assumed rate of return on your investments and an estimate of your future salary increases), the features of each of the two retirement plans, and a retirement date of June 30<sup>th</sup>. **These estimates are intended to help you choose the plan that’s right for you; they are not a prediction of actual results.** Your actual benefits will vary.

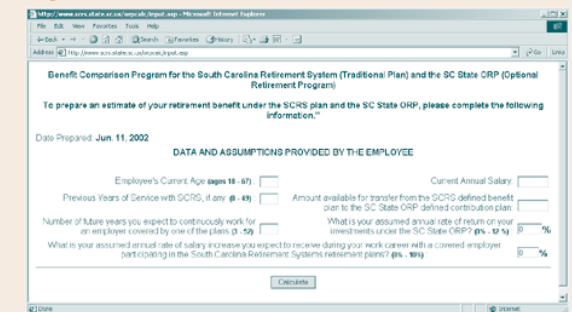
To use this program, go to the Retirement Systems’ Web site at [www.scrs.state.sc.us](http://www.scrs.state.sc.us) and follow the links or type [www.scrs.state.sc.us/orpcalc/](http://www.scrs.state.sc.us/orpcalc/) in the address window of your Internet browser (see Figure 1 below).

Figure 1.



Figure 2 below shows the next screen. This is the screen into which you enter your information for the calculation, then click on **Calculate**.

Figure 2.



A sample calculation based on sample information is shown on page 3.

## Sample Benefit Comparison Using Calculator

This sample comparison is for illustration purposes only. When you use the calculator, you will enter your information into the screen as shown in Figure 3 below. Then click on the **Calculate** button.

Figure 3.

**Benefit Comparison Program for the South Carolina Retirement System (Traditional Plan) and the SC State ORP (Optional Retirement Program)**

To prepare an estimate of your retirement benefit under the SC State ORP, please complete the following information.

Date Prepared: Jun. 11, 2002

**DATA AND ASSUMPTIONS PROVIDED BY THE EMPLOYEE**

Employee's Current Age (ages 18 - 67):  Current Annual Salary:

Previous Years of Service with SCRS, if any (0 - 49):  Amount available for transfer from the SCRS defined benefit plan to the SC State ORP defined contribution plan:

Number of future years you expect to continuously work for an employer covered by one of the plans (0 - 52):  What is your assumed annual rate of return on your investments under the SC State ORP? (0% - 12 %):

What is your assumed annual rate of salary increase you expect to receive during your work career with a covered employer participating in the South Carolina Retirement Systems retirement plans? (0% - 10 %):

**Calculate**

The screen shown in Figure 4 below will appear. If you want to change any of the information you've provided, do so and then click on **Calculate**; otherwise, scroll down the screen to see your benefit comparison.

Figure 4.

**Benefit Comparison Program for the South Carolina Retirement System (Traditional Plan) and the SC State ORP (Optional Retirement Program)**

You may change any of the fields below for further calculations.

**DATA AND ASSUMPTIONS PROVIDED BY THE EMPLOYEE**

Date Prepared: Jun. 11, 2002

Employee's Current Age (ages 18 - 67):  Current Annual Salary:

Previous Years of Service with SCRS, if any (0 - 49):  Amount available for transfer from the SCRS defined benefit plan to the SC State ORP defined contribution plan:

Number of future years you expect to continuously work for an employer covered by one of the plans (0 - 52):  What is your assumed annual rate of return on your investments under the SC State ORP? (0% - 12 %):

What is your assumed annual rate of salary increase you expect to receive during your work career with a covered employer participating in the South Carolina Retirement Systems retirement plans? (0% - 10 %):

**Calculate** **New Session**

As you scroll down this screen, the details of your benefit comparison will appear (Figure 5). Continue scrolling down the screen for more information.

Figure 5.

**ESTIMATE OF YOUR BEGINNING BENEFIT**

Under the SC State ORP, the estimated annual benefit is calculated assuming you would, upon retirement, purchase a single life annuity that would pay the same amount each year for the rest of your life. This single life annuity payout rate is based on a 7% interest rate and the Annuity 2000 mortality table (merged gender, with ages set back 2 years).

If at retirement you choose a single life annuity under the SC State ORP, the actual single life annuity benefit amount you receive will be dependent upon many factors including the actual mortality rate and the actual annuity interest rate used to convert your lump sum accumulation to an annuity at the time of your payout.

A lump-sum distribution from the SCRS plan includes your contributions plus six percent interest on your contributions and excludes all of the employer contributions and the earnings on employer contributions.

Scenario	Annual Annuity (instead of lump sum)		Lump Sum (instead of annuity)	
	SC State ORP	SCRS	SC State ORP	SCRS
Estimated benefit assuming you work continuously for 28 more years and begin receiving your benefit at age 53:	\$15,791.00	\$15,353.00	\$201,644.00	\$96,462.00
Estimated benefit assuming you work continuously for 10 more years until age 35 and begin receiving your benefit at age 60:	\$14,045.00	\$2,879.00	\$166,822.00	\$70,243.00
Estimated benefit assuming you work continuously for 10 more years until age 35 and begin receiving your benefit at age 35:	\$2,183.00	Not Eligible	\$30,728.00	\$16,366.00

Continue scrolling down the screen for more information (Figure 6).

Figure 6.

**ESTIMATED BENEFIT COMPARISON DURING YOUR RETIREMENT YEARS**

The following table provides a comparison of your estimated benefit during your retirement years. The benefit from the SCRS plan is assumed to increase each year with a 3% cost of living adjustment when eligible. The average cost of living adjustment for participants in the SCRS defined benefit plan during the ten years ending June 30, 2000 was 2.97%. See the description of cost of living adjustments on page one.

The calculations in this table assume that you use the SC State ORP investments to purchase a single life annuity that would pay the same amount each year for the rest of your life. This single life annuity payout rate is based on a 7% interest rate and the Annuity 2000 mortality table (merged gender, with ages set back 2 years).

If at retirement you choose a single life annuity under the SC State ORP, the actual single life annuity benefit amount you receive will be dependent upon many factors including the actual mortality rate and the actual annuity interest rate used to convert your lump sum accumulation to an annuity at the time of your payout. In addition to a single life annuity, your investment provider may offer alternative annuity options and payment choices.

Age	SC STATE ORP DEFINED CONTRIBUTION PLAN		SCRS DEFINED BENEFIT PLAN	
	Estimated annual benefit assuming you work continuously for 28 more years and at age 53 you choose to use all of the assets in your account to purchase a single life annuity with an annual benefit of \$15,791.00 for the rest of your life.		Estimated annual benefit assuming you work continuously for 28 more years, begin receiving a benefit at age 53 and when eligible you receive a cost of living increase of 3% each year.	
53	\$15,791.00		\$15,353.00	
58	\$15,791.00		\$17,798.00	
63	\$15,791.00		\$20,632.00	
68	\$15,791.00		\$23,919.00	
73	\$15,791.00		\$27,729.00	
78	\$15,791.00		\$32,146.00	
83	\$15,791.00		\$37,265.00	

## Enroll in Your Chosen Plan

You have 30 days from your date of hire to make your decision. If you do not make a selection, you will automatically become a member of SCRS.

You must complete an enrollment form regardless of the plan you select. Your employer has the enrollment forms and can help with the enrollment process. Figure 3 at right also illustrates the steps of the enrollment process.

### To Enroll in SCRS

If you choose SCRS membership, you must complete a *Retirement Plan Enrollment* (Form 1100) electing SCRS membership. You will also need to complete a *Beneficiary Designation* (Form 1102) or a *Beneficiary/Trustee Designation* (Form 1103) to name beneficiaries for your SCRS account.

Give your completed and signed forms, and a copy of your Social Security card to your employer for submission. Upon receipt, you will be enrolled in SCRS.

### To Enroll in State ORP

If you choose State ORP membership, you must complete a *Retirement Plan Enrollment* (Form 1100) electing State ORP membership. You will also need to select one of the four authorized investment providers listed on page 5 of this brochure. You will also need to complete a *State ORP Active Group Life Beneficiary Designation* (Form 1106).

## Ready to Enroll in a Retirement Plan? Take These Steps

- Step 1** Ask your employer if you are eligible to choose between SCRS and State ORP membership.
- Step 2** Watch “The SCRS Plan or the State ORP? It’s Your Choice” and the “Investing for Your Retirement” videos available from your employer.
- Step 3** Read the *Select Your Retirement Plan* and *Investing for Your Retirement* brochures.
- Step 4** Use the Benefits Comparison Program on our Internet Web site.
- Step 5** Choose your retirement plan within 30 days from your date of hire.

If You Elect SCRS	If You Elect State ORP	If You Elect Non-Membership
<b>Step 6</b> Complete and sign <i>Retirement Plan Election</i> (Form 1100)	<b>Step 6</b> Complete and sign <i>Retirement Plan Election</i> (Form 1100)	<b>Step 6</b> Complete and sign <i>Election of Non-Membership</i> (Form 1104)
<b>Step 7</b> Complete and sign <i>Beneficiary Designation</i> (Form 1102) or <i>Beneficiary/Trustee Designation</i> (Form 1103)	<b>Step 7</b> Complete and sign <i>State ORP Active Group Life Beneficiary Designation</i> (Form 1106)	<b>Step 7</b> Give completed and signed form to your employer for submission
<b>Step 8</b> Give completed and signed forms, and a copy of your Social Security card to your employer for submission	<b>Step 8</b> Complete application form from your selected investment provider and mail to your investment provider	
	<b>Step 9</b> Give completed and signed forms, and a copy of your Social Security card to your employer for submission	

Give your completed and signed forms, and a copy of your Social Security card to your employer for submission.

You will also need to complete an application with your selected State ORP investment provider and, once enrolled, will need to make your investment selections from those available from your chosen investment provider.

***The South Carolina Retirement Systems administers the State ORP. The Retirement Systems' director designates the companies that provide the available mutual fund accounts, annuity contracts, or similar investment products. The four authorized investment providers are listed in the table at right.***

### **To Elect Non-Membership**

You must enroll in either SCRS or State ORP unless your position is statutorily exempt from mandatory membership. Your employer can tell you if your position qualified for non-membership.

If you are eligible to and choose to elect non-membership, you must complete and sign an Election of Non-Membership (Form

1104). Give your completed and signed form to your employer for submission.

### **Annual Open Enrollment Period**

There is an annual open enrollment period (January 1 to March 1) during which a State ORP member may:

- Change investment providers;
- Irrevocably switch to SCRS if the member has between one and five years of State ORP service.

If, as a State ORP member, you do not make the election within the allotted time, you will, by default, continue your State ORP membership and forfeit your one-time opportunity to elect SCRS membership. If you join SCRS during the allotted time, you may purchase all or a portion of your State ORP service at any time after joining SCRS. The cost is 16 percent of your current salary or highest career salary (in SCRS or State ORP), whichever is higher, for each year purchased.

***The South Carolina Retirement Systems cannot offer investment advice on retirement plans or guarantee investment returns, interest rates, or dividends.***

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## Advantages, Disadvantages, and Other Considerations

Defined Benefit Plan (SCRS)	Defined Contribution Plan (State ORP)
<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• The Retirement Systems bears the investment risk.</li> <li>• Your retirement benefit is known, based on the SCRS retirement plan benefit formula.</li> <li>• If you have many years of service, the defined benefit formula may provide a larger benefit.</li> <li>• The trustees hire and supervise professional investment managers.</li> <li>• Disability retirement benefits are available.</li> <li>• You cannot outlive your benefits - benefits are guaranteed for life.</li> <li>• Benefits increase with each year you work.</li> <li>• If you have five years of earned service, you may purchase up to five years of non-qualified service to more quickly reach eligibility for retirement.</li> <li>• Lifetime monthly benefit for your beneficiary if you die in service with 15 or more years of service, or at age 60 with at least five years of earned service.</li> <li>• Retirees receive annual cost-of-living increases (not guaranteed).</li> <li>• Retirement annuity is not based on your account balance.</li> </ul>	<p><b>Advantages</b></p> <ul style="list-style-type: none"> <li>• You choose and direct your investments in professionally managed mutual funds and other investment products. You have an opportunity for increased retirement income based on your investment decisions.</li> <li>• If you are a younger employee with many years to obtain investment earnings, you may receive a larger retirement benefit.</li> <li>• Portability provides an opportunity for more retirement income if you change employers several times during your career. You can transfer balances to other eligible retirement plans or an Individual Retirement Account (IRA) upon distribution.</li> <li>• If you terminate employment and get a refund, you receive the contributions you and your employer made into your State ORP account, and the investment earnings. You have immediate and full ownership rights to the contributions made by you and your employer (no minimum years of service required).</li> <li>• Flexible benefit options such as annuity payments (including payments you cannot outlive), a lump-sum distribution, partial distributions, or withdrawals.</li> </ul>
<p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>• If you are younger, it takes many years of service to build a large benefit unless you receive substantial pay increases that result in a higher average final compensation.</li> <li>• If you have few years of service or leave your job before retirement, you might not earn a large benefit.</li> <li>• You have no say in investment decisions.</li> <li>• Your benefit is reduced if you retire early.</li> <li>• If you terminate employment and take a refund, you receive your contributions plus interest, but not the employer contributions or the earnings on the employer contributions.</li> </ul>	<p><b>Disadvantages</b></p> <ul style="list-style-type: none"> <li>• You bear the investment risk and must, therefore, monitor your investments. Poor investment decisions may result in inadequate benefits.</li> <li>• If you are older, you may have too few years before retirement to accumulate a large account balance.</li> <li>• You are responsible for retirement income cash flow and inflation protection.</li> <li>• Disability protection is not included.</li> </ul>
<p><b>Consider the SCRS if you:</b></p> <ul style="list-style-type: none"> <li>• Want a guaranteed benefit for life that is not affected by fluctuations in the financial markets.</li> <li>• Plan to stay with a covered employer for many years.</li> <li>• Prefer to have the state make investment decisions and assume the related risk.</li> <li>• Need disability coverage as part of your plan.</li> </ul>	<p><b>Consider the State ORP if you:</b></p> <ul style="list-style-type: none"> <li>• Want investment control and are willing to assume the risk associated with the opportunity for potential growth of your retirement money.</li> <li>• Do not plan to stay with a covered South Carolina employer for many years.</li> </ul>



## Retirement Plan Comparison

Benefit Feature	SCRS Traditional Defined Benefit Plan	State ORP Defined Contribution Plan
Type of Plan	The SCRS provides a guaranteed monthly income at retirement. The contributions made by you and your employer are used to pay all retiree benefits. Your retirement benefit is based on a formula that includes your years and months of service credit, your average final compensation, and a benefit multiplier of 1.82 percent. SCRS is a governmental plan administered as a qualified plan pursuant to section 401(a) of the Internal Revenue Code (IRC). Your retirement income is not based on your account balance.	The State ORP provides an account into which you and your employer contribute. Your retirement income is based on the account balance accumulated throughout your years of employment. Your account balance is a combination of contributions and the performance of the investment funds you select from the investment options offered through the State ORP. The State ORP is a governmental plan administered as a qualified plan pursuant to section 401(a) of the Internal Revenue Code (IRC).
Eligibility	Membership includes public school employees, public higher education personnel, state employees, city, county, and other local public employees of covered employers (participating employers). You are eligible on your date of hire if you are a permanent full-time or part-time employee. If you are a temporary or non-permanent employee, you may choose whether to join.	All permanent, full-time employees, temporary and part-time employees, and political appointees hired after June 30, 2003. <b>You must be eligible for membership in SCRS as well.</b>
Employee Contributions	Employee contribution rates are established by the South Carolina General Assembly. You contribute a tax-deferred 6 percent of your gross pay.	Same as SCRS.
Employer Contributions	Employer contribution rates are established by the South Carolina State Budget and Control Board. Your employer contributes 7.55 percent of your earnings. This contribution funds the normal cost and covers the unfunded accrued liability of the system.	Your employer contributes 7.55 percent of your earnings, of which 5 percent is directed to the investment provider for allocation to your account and 2.55 percent to the Retirement Systems. The 2.55 percent is retained by the Retirement Systems to defray any reasonable expenses incurred in performing services regarding the plan.
Refund or Distribution Before Retirement and Portability	If you terminate employment with at least five years of earned service and leave your contributions and interest in your SCRS account, you will be eligible to receive a deferred annuity at age 60. If you terminate employment, you may request a distribution (refund) of your employee contributions plus interest, but you forfeit your rights to any future retirement benefits. There is a 90-day waiting period from your termination date before a refund can be made. You are not required to withdraw your contributions and interest at termination. Employer contributions are not refunded. Employee contributions plus interest may be rolled over to another eligible retirement plan or an IRA as allowed by the IRC. Eligibility to establish SCRS service with another retirement plan depends on the other plan's provisions.	You have immediate full ownership rights to your account balance, including employee and employer contributions. If you terminate employment or reach age 59½, you may request a distribution (refund) of your account balance, which includes employee and employer contributions. Your State ORP investments remain in the investment products you select unless you request that they be transferred or rolled over to another eligible retirement plan. You can change jobs without losing your accumulated retirement benefits. You may participate in similar plans through other employers. You may roll over your account balance to another eligible retirement plan or an IRA as allowed by the IRC. Eligibility to establish State ORP service with another retirement plan depends on the other plan's provisions.

## Retirement Plan Comparison

Benefit Feature	SCRS Traditional Defined Benefit Plan	State ORP Defined Contribution Plan
<b>Management of Retirement Funds</b>	The state assumes all investment risk. Professional money managers recommended by the South Carolina Retirement Systems Investment Panel and approved by the State Budget and Control Board invest the equity investments. The Office of the State Treasurer manages the fixed investments.	You assume all investment risk. You are responsible for your investment choices, distribution methods, and retirement goals. The director of the South Carolina Retirement Systems designates the professional money management companies authorized to offer investment products.
<b>Selection of Investment Provider</b>	Not applicable.	You choose one of the four authorized investment providers. You may change providers once each year during the annual open enrollment period (January 1 to March 1).
<b>Selection of Investment Products</b>	Not applicable.	You select from the available investment funds to reach an appropriate asset allocation for your investment objectives and retirement goals. The prospectus for each investment product provides information on that particular product. Investment provider service representatives are available by telephone (toll free) to assist with your selections. A list of the vendors providing the investment products and the products offered to State ORP members is on the Internet at <a href="http://www.scrs.state.sc.us">www.scrs.state.sc.us</a> . You may also contact Customer Services at 1-800-868-9002 (available within SC only), at 803-737-6800, or at <a href="mailto:cs@scrs.state.sc.us">cs@scrs.state.sc.us</a> .
<b>Allocation of Contributions</b>	Not applicable.	You allocate your contributions into your chosen investment products. Contact your investment provider to change the allocation of your contributions and/or existing account balance.
<b>Beneficiary</b>	You may name as many beneficiaries and/or trustees as you wish. Multiple beneficiaries share equally in survivor benefits.	You may name as many beneficiaries and/or trustees as you wish.
<b>Additional Service Buy-In Options</b>	Active members may establish service credit for various types of previous employment or leaves of absence. Active contributing members with five or more years of earned service credit may establish up to five years of non-qualified service. You may purchase service credit by lump-sum payment, an installment service purchase (after-tax, plus interest), or a tax-deferred rollover from an eligible retirement plan, such as a 401(a), 401(k), 457, 403(b), or an IRA.	Not applicable.

## Retirement Plan Comparison

Benefit Feature	SCRS Traditional Defined Benefit Plan	State ORP Defined Contribution Plan
<b>Loans or Withdrawals</b>	Your account balance must be kept intact until your retirement, death, disability, or termination of employment. Under no circumstances may you borrow from your account balance or take a hardship withdrawal.	Your account balance must be kept intact until your retirement, death, disability, termination of employment, or until you reach age 59½. Under no circumstances may you borrow from your account balance or take a hardship withdrawal.
<b>Disability Benefits</b>	If you are an active SCRS member with at least five years of earned service credit, you may apply for disability retirement if your disability is likely to be permanent. Service will be projected to age 65 with an applicable actuarial reduction. The five-year requirement may be waived if your disability is the result of a job-related injury. Benefits may be paid for life or for the duration of your disability. You must apply for disability retirement while actively employed.	There is no disability protection.
<b>In-Service Death Benefits</b>	<p>If you die while in active service (while employed and earning service credit), are under age 60, and have less than 15 years of service (five of which must be earned service), your beneficiary will receive a refund of your employee contributions plus interest.</p> <p>If you die while in active service at any age and have 15 or more years of service (five of which must be earned service), or after reaching age 60 with five years of earned service, your beneficiary may choose a refund of employee contributions plus interest or a monthly benefit for life. The monthly benefit is not available if you name your estate as beneficiary.</p>	The benefit is based on the cash value of your account as of your date of death. Your beneficiary may receive the cash value of your account through annuities, lump-sum distributions, or periodic withdrawals, all of which are available through the investment providers.
<b>Active Membership Group Life Insurance</b>	If your employer has elected Group Life Insurance coverage and you die in service with at least one year of service credit, a payment equal to your current annual salary will be paid to your designated beneficiaries or trustees. If your death is the result of a job-related injury, the one-year requirement is waived.	Same as SCRS.
<b>Post-Retirement Group Life Insurance</b>	If, as a retired employee, you die and your last employer prior to retirement is covered by the Group Life Insurance program, a benefit based on your service credit will be paid to your beneficiaries as follows: 10-19 years = \$2,000; 20-27 years = \$4,000; and 28 or more years = \$6,000.	The post-retirement Group Life Insurance benefit is not provided to State ORP members.

## Retirement Plan Comparison

Benefit Feature	SCRS Traditional Defined Benefit Plan	State ORP Defined Contribution Plan
Service Requirements for Retirement Benefits	<p><b>Normal Retirement (Unreduced Benefit)</b> At age 65 or with 28 years of service credit. Five years must be earned service.</p> <p><b>Early Retirement (Reduced Benefit)</b> At age 60 with benefits permanently reduced 5 percent for each year of age less than 65, <b>or</b> at age 55 with 25 years of service credit, with benefits permanently reduced 4 percent for each year of service credit less than 28. Five years must be earned service.</p> <p>If you retire early at age 55 with at least 25 years of service, cost-of-living adjustments (COLAs) do not apply until the second July 1<sup>st</sup> after you reach age 60 or the second July 1<sup>st</sup> after you would have had 28 years of service credit.</p>	<p>There is no minimum age or years of service required for retirement. You become eligible to receive distributions when you terminate employment or reach age 59½. You may leave your balance on deposit to accumulate earnings tax-deferred until you elect to receive them.</p>
Retirement Benefit Calculation	<p>Your annual SCRS retirement benefit is based on the following formula that includes your average final compensation, years of service, and a benefit multiplier:</p> <p><b>Step 1</b> Determine your average final compensation (12 highest consecutive quarters of earnable compensation divided by 3).  <b>Step 2</b> Multiply the result of Step 1 by 1.82 percent (.0182).  <b>Step 3</b> Multiply the result of Step 2 by your years of service credit.  <b>Step 4</b> Deduct early retirement penalties, if applicable.</p>	<p>The amount of your State ORP benefit is based on the total accumulation in your account(s) and the payment method you choose. Your benefit is affected by the performance of the investments you select and the amount of time you have to invest.</p>
Retirement Payment Plans	<p>Your retirement benefit will be paid as a monthly annuity for your lifetime. There are two payment plans that will provide monthly payments to a survivor in the event of your death. The available payment plans are:</p> <p><b>Option A</b> Standard Retiree Only Monthly Annuity (Maximum)  <b>Option B</b> 100% - 100% Joint Retiree-Survivor Monthly Annuity with revert to Option A feature  <b>Option C</b> 100% - 50% Joint Retiree-Survivor Monthly Annuity with revert to Option A feature</p> <p>If you choose Options B or C, you will receive a reduced (from Option A) benefit.</p>	<p>You may choose to purchase an annuity (including annuity payments that you cannot outlive), or take a lump-sum distribution, partial distributions, or withdrawals. The State ORP investment providers offer a variety of retirement payment options designed to allow you to tailor your retirement plan to meet your financial needs.</p> <p>In the event of your death, your beneficiary may receive the cash value of your account through annuities, lump-sum distributions, or periodic withdrawals.</p>



## Retirement Plan Comparison

Benefit Feature	SCRS Traditional Defined Benefit Plan	State ORP Defined Contribution Plan
<b>Teacher and Employee Retention Incentive (TERI) Program</b>	<p>By participating in TERI, you may defer receipt of your retirement benefit for up to five years. The deferred monthly retirement benefits are placed in your retirement payroll account and, upon termination of employment or the end of your TERI period, whichever is earlier, you will receive your accumulated retirement benefit in either a partially taxable, single-sum distribution or through a tax-deferred rollover into an eligible retirement plan. You will then begin receiving your monthly retirement benefit plus any cost-of-living increases granted during your TERI period.</p> <p>No interest is paid on the deferred monthly benefit during your TERI period; however, you do receive cost-of-living adjustments (if granted). TERI participants do not make SCRS contributions, do not earn service credit, and are ineligible for active membership group life insurance benefits and disability retirement benefits. You may participate in TERI only once. During your TERI period, you are exempt from the service retirement earnings limitation. <b>Any distribution paid directly to you is subject to ordinary federal and state income taxes and may be subject to an additional 10 percent federal early withdrawal penalty.</b></p>	<p>Not applicable.</p>
<b>Cost-of-Living Adjustments (COLAs)</b>	<p>Cost-of-living adjustments (COLAs) are not guaranteed. The Retirement Systems' actuary must first determine whether funding requirements have been met, then the State Budget and Control Board must approve the COLA. If approved, your monthly benefit is increased by the COLA percentage approved each July 1 provided your retirement was in effect the previous July 1 and was not subject to early retirement COLA provisions.</p>	<p>The State ORP does not provide cost-of-living adjustments.</p>
<b>Post-Retirement Health Insurance Eligibility</b>	<p>Contact the State Budget and Control Board's Division of Insurance and Grants Services toll free at 1-888-260-9430 (available within SC only) or at 803-734-0678, or your benefits administrator for more information.</p>	<p>Same as SCRS.</p>

## Taxes

You may want to consult a tax or financial advisor for assistance, or simply contact the Internal Revenue Service (IRS) at 1-800-829-3676 or at [www.irs.gov](http://www.irs.gov) for information about federal taxes, and the South Carolina Department of Revenue at 1-800-763-1295 or at [www.sctax.org](http://www.sctax.org) for state tax information and assistance.

## Questions and Answers

### How do I enroll in the State ORP or SCRS?

Complete the required enrollment form for the plan you select. Your employer has these forms.

### How many State ORP investment providers are there to choose from?

The four authorized investment providers are listed on page 2 of this brochure and on the Internet at [www.scrs.state.sc.us](http://www.scrs.state.sc.us).

### How do I obtain an account balance under either plan?

State ORP members will receive periodic financial statements from their investment provider. SCRS members will receive an annual member statement.

### If I enroll in SCRS, switch jobs, and join the State ORP, do I have to withdraw my SCRS contributions?

No. You may retain your SCRS account or roll over the contributions to the State ORP.

### May I transfer my SCRS funds to the State ORP?

Yes. If you become eligible for and elect the State ORP, you may roll over your employee contributions plus interest to the State ORP.

### If I switch from SCRS to the State ORP and apply for a refund, when will I get it?

There is a 90-day waiting period required by state law. Your refund will be mailed to you after the 90-day waiting period has passed.

### How is my SCRS membership affected if I choose the State ORP?

You retain your SCRS membership unless you transfer your employee contributions plus interest to the State ORP. Upon transfer, you forfeit your membership and all service credit in SCRS.

### If I elect State ORP membership and stay with the same employer, can I ever join SCRS?

Yes. There is an annual open enrollment period (January 1 to March 1) during which you may irrevocably elect membership in SCRS if you have between one and five years of State ORP service. If you do not make the election during any of the annual open enrollment periods in which you are eligible to irrevocably elect SCRS membership, you will, by default, continue your State ORP membership and forfeit your opportunity to elect SCRS membership.

### If I retire under SCRS, may I join the State ORP?

No. If you retire under SCRS, you are not eligible for enrollment in SCRS and therefore may not join the State ORP.

### Can my employer help me choose a plan?

Your benefits administrator can assist you by providing you with this brochure, an *Investing for Your Retirement* brochure, and two videos: "The SCRS Plan or the State ORP? It's Your Choice," and "Investing for Your Retirement." Use these materials, as well as the Benefit Comparison Calculator for State ORP found on the Retirement

Systems' Web site, to learn about both plans so you can make an informed choice. Your benefits administrator cannot tell you which plan is better for you; only you can make that choice. You may also contact the Retirement Systems toll free at 1-800-868-9002 (available within SC only), at 803-737-6800, or at [cs@scrs.state.sc.us](mailto:cs@scrs.state.sc.us) for assistance, but remember, the Retirement Systems cannot make your selection for you either.

### What if I have a problem with my State ORP investment provider?

You or your employer should report any problems concerning the investment providers to the Retirement Systems by contacting Customer Services toll free at 1-800-868-9002, at 803-737-6800, or at [cs@scrs.state.sc.us](mailto:cs@scrs.state.sc.us).

### What happens if I elect the State ORP but don't make my investment selections?

The money will be placed in a conservative, non-restrictive default investment account.

### If I elect the State ORP, can I change my investment options at any time?

Yes, subject to the State ORP investment provider's contractual limitations. You must choose investment options from your chosen investment provider. You may change investment providers, however, only during an annual open enrollment period (January 1 to March 1).

### If I elect the State ORP, can I allocate my contributions to more than one investment option?

Yes. The employee and employer contributions may be allocated to any of the authorized investment products offered by your investment provider.

### **If I change State ORP investment providers, what happens to my account balance?**

If you change investment providers during an annual open enrollment period (January 1 to March 1), you may transfer your account balance, subject to the State ORP investment provider's contractual limitations, to the new investment provider.

### **How does State ORP or SCRS membership affect supplemental defined contribution retirement plan contributions?**

You may still contribute to your 457 or 401(k) deferred compensation plan, or to your 403(b) tax-sheltered annuity; however, your contribution limits and options may depend on the type(s) of supplemental plans you select. You may want to contact the South Carolina Deferred Compensation Program or a tax consultant for more information.

### **How will investment risk affect my retirement account?**

Investment risk applies only if you are a State ORP member. Investment risk is the uncertainty of how a given investment will perform. In the State ORP, if the investments you select perform well, your retirement account will grow quickly and provide a larger benefit when you retire. If your investments do not perform well, you will not have as large a benefit at retirement. The potential for higher returns is generally greater with investments that carry more risk. Allocating investments into several asset classes, such as bonds, large cap equities, international equities, and small cap equities, may help reduce your overall risk. With SCRS, the Retirement Systems bears all of the investment risk.

## **Glossary**

**Annuity** A contract, usually issued by an insurance company, that generally provides for the accumulation of contributions and a guaranteed income paid at regular intervals, usually monthly, for a specified period of time or for life. Many annuity contracts have significant mortality charges.

**Asset Allocation** Apportioning of investment funds among categories of assets such as stocks and bonds. Asset allocation affects both risk and return and is a central concept in personal financial planning and investment management.

**Defined Benefit Plan** A pension plan in which retirement benefits rather than contributions into the plan are specified. A retired employee who has reached a certain age, has a given number of years of service, and has earned a certain income is entitled to a specified monthly pension payment (i.e., SCRS).

**Defined Contribution Plan** A pension plan in which contributions into the plan, rather than eventual retirement benefits to employees, are specified (i.e., State ORP, South Carolina Deferred Compensation program).

**Distribution** A cash payment or an annuity payment.

**Diversification** Spreading of risk by putting assets in several categories of investments: stocks, bonds, and cash equivalents.

**Earned Service** Paid employment as an employee of an SCRS-covered employer during which the employee makes regular retirement contributions to the SCRS.

**IRC Section 401(a)** Tax code section authorizing a qualified retirement plan to be operated and supported by an employer and to provide retirement benefits.

**Member (or Participant)** An employee enrolled in one of the state's retirement plans, including the State ORP.

**Mutual Fund** Fund operated by an investment company that pools money from shareholders and invests it in stocks, bonds, options, futures, currencies, or cash equivalents.

**Prospectus** A formal written document relating to the offering of a new or existing security that delineates the offeror's business plan and is needed by the investor to make an informed decision concerning investment in the security.

**Service Credit** A member's earned service, prior service, and purchased service.

**South Carolina  
State Budget and Control Board**

**Mark Sanford, Chairman**  
*Governor*

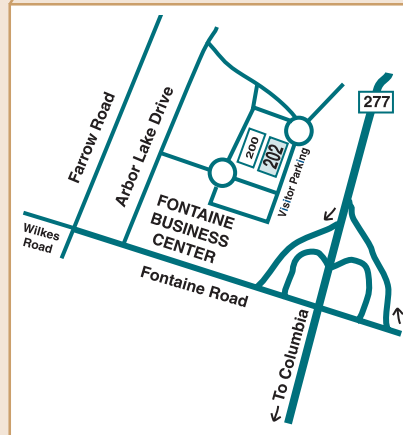
**Grady L. Patterson, Jr.**  
*State Treasurer*

**Richard Eckstrom**  
*Comptroller General*

**Hugh K. Leatherman, Sr.**  
*Chairman,  
Senate Finance Committee*

**Robert W. Harrell, Jr.**  
*Chairman,  
House Ways and Means Committee*

**Frank W. Fusco**  
*Executive Director*



**South Carolina  
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**Peggy G. Boykin, CPA**  
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